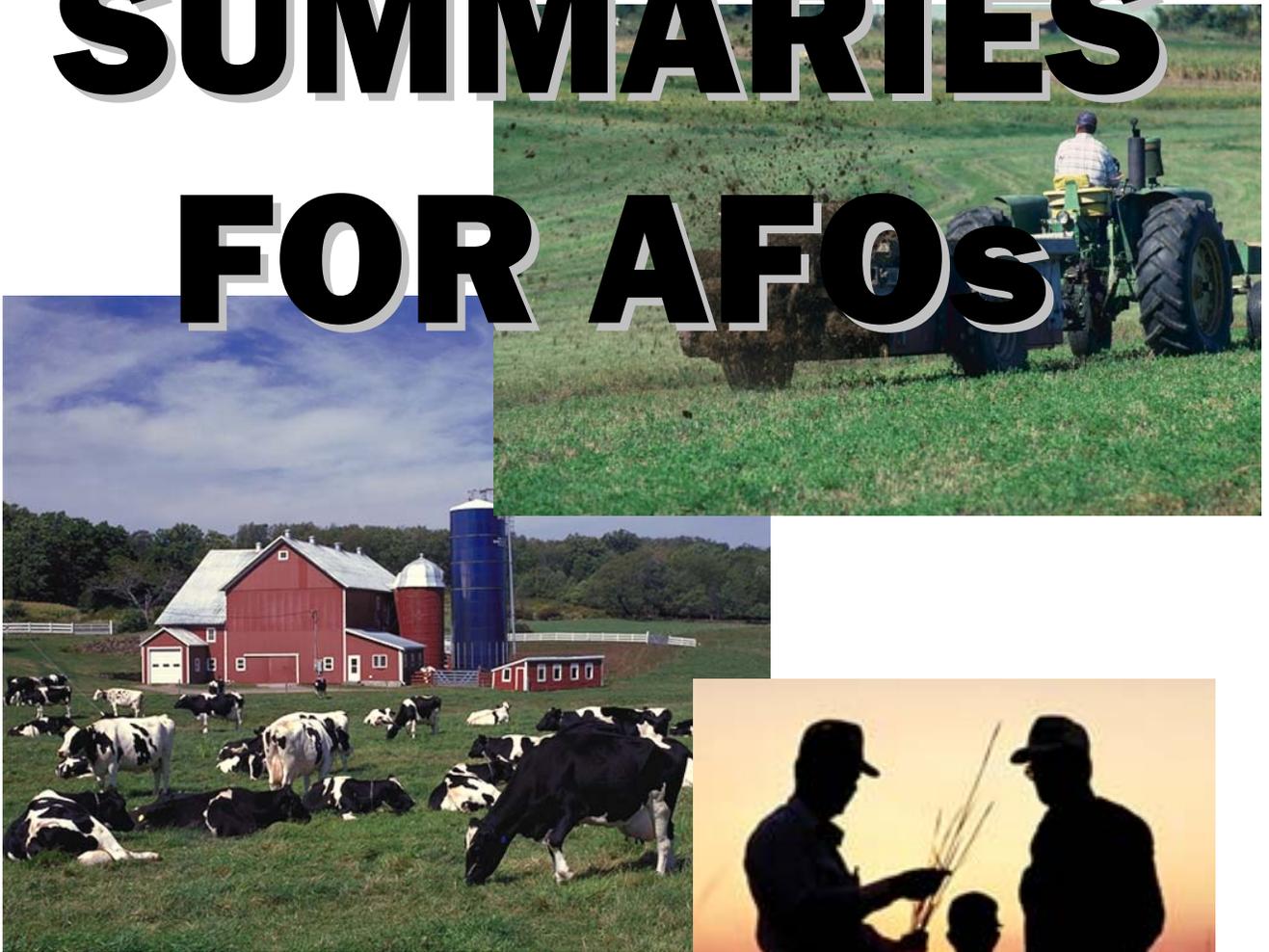


FINANCIAL ASSISTANCE SUMMARIES FOR AFOs



April 30, 2002

Disclaimer

This document was prepared to provide basic information concerning the availability and use of funding sources for addressing water quality related improvements at animal feeding operations (AFOs). It is based on publically available information collected prior to February 2002. Many of these programs are dynamic, and as such, program specific availability and requirements with respect to AFOs may differ from those included in this document. The location and content of the web sites mentioned in this document may change as menus and homepages are reorganized. Links and information from non-EPA sources are provided solely as a pointer to information on topics related to funding sources that may be useful to the intended audience.

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Introduction

Financial Assistance Summaries for AFOs is a compilation of information summary documents that identify financial funding sources for animal feeding operations (AFOs). These summaries describe the financial assistance programs which provide funding sources through grants and loans for AFOs. This document serves as a reference for how AFOs can obtain funding to address a variety of issues facing livestock operations. The amount of information and funding available varies widely for each of the financial summaries presented in this report.

Purpose and Contents of *Financial Assistance Summaries for AFOs*

Due to the current trends in the livestock industry, more stringent regulations may require AFOs and CAFOs to develop CNMPs and to implement solutions to address water quality impairments. This compilation of available financial assistance summaries presents a number of avenues for livestock owners and operators to obtain financial assistance in developing CNMPs and best management practices to reduce impacts to water quality and public health. Financial cost-share and loan programs can help defray the costs of approved/needed structures, such as waste storage facilities for small operations or to implement other practices, such as installation of conservation buffers or rotational grazing systems to protect water quality. An increasing number of states have financial assistance or voluntary programs that supplement or enhance assistance. Most financial assistance programs require the recipients to agree to implement particular practices as a condition of receiving funding.

The following financial and technical assistance programs are described in this report:

- Agricultural Management Assistance (AMA)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- Clean Water State Revolving Funds (CWSRF)
- Environmental Quality Incentives Program (EQIP)
- Farm Ownership/Operating Loans
- National Estuary Program
- Pollution Control Loan Program
- Section 319 Nonpoint Source Implementation Grants
- Soil and Water Conservation Assistance
- Wetlands Reserve Program

Financial Assistance Summaries for AFOs provides a brief overview of the financial assistance program and provides specific locations where more information and application information can be obtained. The financial assistance summaries include the following information:

- Overview/description of the financial or technical assistance program.
- Discussion of how the program relates to AFOs and CAFOs.
- Identification of which types of facilities are eligible and which types of facilities are excluded from receiving funding.
- Sponsoring agency and legislative authority.
- Additional information which includes application information, Internet information, and contact information.

AFO owners and operators may also participate in and utilize other state and programs to improve water quality and to develop and implement polluted runoff abatement activities. The appendix at the end of this document presents specific organizations that can assist with obtaining other funding sources and may be contacted for further information. The organization, contact information, and the organization's website are listed, if available. Using all USDA, EPA, and other state and local programs together as tools helps leverage resources to help AFO owners and operators in voluntarily addressing water quality and public impacts.

Agricultural Management Assistance (AMA)

Overview/description

The Agricultural Management Assistance (AMA) Program is a voluntary conservation program for agricultural producers. It provides cost-share assistance for various conservation practices in 15 states where Federal Crop Insurance Program participation is historically low (NRCS, 2001b, 521.10d). The construction or improvement of watershed management structures or irrigation structures is included in the program's objectives. The construction of cattle feed and waste management facilities and temporary storage areas for dry animal waste are possible projects for funding (NRCS, 2001a).

The Natural Resources Conservation Service (NRCS) manages AMA, although the Farm Service Agency (FSA) is responsible for determining eligibility and the disbursement of cost-share funds (NRCS, 2001b, 512.12). Contracts are 5 to 10 years in length (NRCS, 2001b, 521.34c). The applicant must agree to operate and maintain the required conservation practice for the designated life span of the practice, which might exceed the length of the contract (NRCS, 2001b, 521.22c). AMA provides 75 percent of the cost of the project; a 25 percent non-federal match is required. Producers may contribute to the cost of a practice through in-kind sources. In-kind sources include donated materials, use of personal equipment, and personal labor (NRCS, 2001a). AMA is budgeted to provide eligible applicants with a total of \$6 million. Funds are distributed to states according to an allocation formula based on 29 environmental factors. Payments cannot exceed \$50,000 per person annually and \$150,000 over the course of the contract. Contracts with more than one person may be eligible for more than \$50,000 annually (NRCS, 2001b, 521.46a).

Farmers and ranchers in the following 15 states may be eligible for AMA funding:

- Connecticut
- Delaware
- Maine
- Maryland
- Massachusetts
- Nevada
- New Hampshire
- New Jersey
- New York
- Pennsylvania
- Rhode Island
- Utah
- Vermont
- West Virginia
- Wyoming

How does the program relate to AFOs and CAFOs?

Both AFOs and CAFOs are eligible for AMA funding for conservation practices if they meet all additional requirements listed below.

Which types of facilities are eligible to receive funding?

The following are eligible for AMA funds if they meet the “person” determination as defined in Section 1001(5) of the Food Security Act (NRCS, 2001b, 521.20a):

- A farmer, rancher, or member of a federally recognized tribal government who has an interest in the farm or ranch within the designated States and has control of the land for the life of the proposed contract.
- An individual, entity other than an individual, or entity that is a member of a joint operation to be considered a separate person that has a separate and distinct interest in the land or the crop involved, exercises separate responsibility for that interest, and maintains funds or accounts separate from those of any other individual or entity for such interest.

Eligible land includes cropland, hayland, pasture and rangeland, land used for subsistence purposes, forestland, land on which livestock are produced, and land where risk might be lowered through a change in operation or resource conservation practices (NRCS, 2001b, 521.21a).

Federal agencies, state agencies, or political subdivisions of states are not eligible for AMA funding (NRCS, 2001b, 521.20a)

To apply, the applicant must complete form CCC-1200 and submit it to the local NRCS or Conservation District Office. A list a local NRCS offices is provided at www.sci.usda.gov/sci/. The application process is continuous. Priority will be given to practices that place an emphasis on the following (NRCS, 2001b, 521.32b):

- Construction or improvement of watershed management or irrigation structures.
- Planting trees for windbreaks or to improve water quality.
- Mitigating risk through production diversification or resource conservation practices, including soil erosion control, integrated pest management, or transition to organic farming.

Sponsoring federal agency and legislative authority

Sponsor: AMA is a combined effort of the following U.S. Department of Agriculture agencies:

Natural Resources Conservation Service
P.O. Box 2890
Washington, DC 20013-9770
202-720-1873
<http://aspe.os.dhhs.gov/cfda/p10912.htm>

Risk Management Agency
USDA/RMA/Stop 0801
Room 3053-South
1400 Independence Ave., SW
Washington, DC 20250
202-690-2803
RMA_mail@wdc.usda.gov

Agricultural Marketing Service
U.S. Department of Agriculture
14th and Independence Ave., SW
Washington, DC 20250

Farm Service Agency
Public Affairs Staff
1400 Independence Ave., SW
STOP 0506
Washington, DC 20250-0506
Telephone: 202-720-7807

Legislative Authority: Agricultural Risk Protection Act of 2000 Title 1, Section 133 (Public Law 106-224)

Additional information

- USDA, NRCS, Agricultural Management Assistance (AMA) Program
<http://www.md.nrcs.usda.gov/programs/ama/ama.htm>
- Part 541 - Agricultural Management Assistance
http://policy.nrcs.usda.gov/scripts/lpsiis.dll/EDSnf/M_440_521.htm

References

NRCS. 2001a. Agricultural Management Assistance Program (AMA), Fact Sheet. U.S. Department of Agriculture, Natural Resources Conservation Service. <<http://www.md.nrcs.usda.gov/programs/ama/ama.htm>>. Accessed January 2002.

NRCS. 2001b. Part 521 - Agricultural Management Assistance. *440-Conservation Program Manual*. U.S. Department of Agriculture, Natural Resources Conservation Service. 440-V-CPM, First Edition, Amend. 4, May 2001. <http://policy.nrcs.usda.gov/scripts/lpsiis.dll/EDSnf/M_440_521.htm>. Accessed January 2002.

Clean Water State Revolving Funds (CWSRF)

Overview/description

The Clean Water State Revolving Fund (CWSRF) was authorized by the Clean Water Act Amendments of 1987. Currently 51 CWSRF programs are in operation in all the states and Puerto Rico. CWSRF funding allows states to address their highest-priority water quality needs, including nonpoint source management programs and estuary improvement projects, through low-interest loans and other financial assistance (not grants). As of 1999 the program had more than \$27 billion in assets (USEPA, 1999). In 1998 the state provided approximately \$3 billion in low-interest loans to eligible recipients for water quality projects (USEPA, 1998b). According to the Clean Water Action Plan, 10 percent of the CWSRF is to be invested in projects to address polluted runoff (US EPA, 1998b). As loan recipients make payments back into the fund, money becomes available for new loans. Because the program is managed within each state, funding may vary according to the priorities of each state (USEPA, 2001a).

CWSRF loans have several benefits:

- A CWSRF loan can cover 100 percent of a project's cost with no cash up-front whereas a grant might require a nonfederal match of funds up to (and in some cases more than) 40 percent of the project's total cost.
- CWSRF loans provide significant cost savings over the life of the loan.
- Financing a project with a CWSRF loan usually means complying with fewer federal requirements than financing with a federal grant (USEPA 1998a).

How is the program related to AFOs and CAFOs?

The CWSRF can fund projects to address nearly any type of polluted runoff that is included in a state-approved nonpoint source management plan. Funding projects can include animal waste facilities and dead chicken composters (USEPA, 1998). Considered a nonpoint source of pollutants, animal feeding operations (AFOs) may be covered under this funding program. Concentrated animal feeding operations (CAFOs) are generally not covered for funding under this program although a small fraction may qualify.

Which types of facilities are eligible to receive CWSRF funding?

Because the CWSRF program is managed largely by the states, project eligibility varies according to each state's program and priorities. Community groups, individuals, agricultural organizations, and nonprofit organizations may obtain funding if identified in a state's Nonpoint Source Management Plan or Estuary Conservation and Management Plan. The state's Clean Water Act program should be consulted for details. Eligible nonpoint source projects include roughly any activity that a state has identified in its Nonpoint Source Management Plan. Such activities might include projects to control runoff from agricultural land (AFOs). CAFOs are considered point sources and therefore can receive funding only if publicly owned. However, CAFOs may still be eligible for funding to address a nonpoint source such as runoff from land application if the following guidelines are met (USEPA, 1998b):

The proposed remediation takes place outside the CAFO.

- The facility is implementing a Comprehensive Nutrient Management Plan (CNMP) developed by a public official or certified private party.
- The proposed project is consistent with the Comprehensive Nutrient Management Plan.

EPA is proposing to include land application areas in the definition of a CAFO. If this inclusion is finalized, CAFOs will no longer be eligible to receive CWSRF loans.

CAFOs might be able to receive funding under Clean Water Act section 320 in a circumstance where CAFO-related water pollution is addressed in a 320 estuary plan. Section 320 funding is aimed at developing programs to protect and restore coastal resources in estuaries of importance (DHHS, 2000). CAFO projects within the geographic boundaries of an estuary could be eligible to receive financial assistance from the state's CWSRF (US EPA, 2000).

Sponsoring federal agency and legislative authority

U.S. Environmental Protection Agency
Office of Wastewater Management, CWSRF Branch
Municipal Support Division (4204)
Ariel Rios Bldg, 1200 Pennsylvania Ave., NW
Washington, DC 20460

Legislative Authority: Clean Water Act, sections. 601–607, Public Law 95–217

Additional Information

- U. S. EPA CWSRF Regional Office Information
<http://www.epa.gov/owm/regcon.pdf>
- EPA Office of Water
<http://www.epa.gov/owow/watershed/wacademy/fund/revolving.html>
<http://es.epa.gov/oeca/ag/sectors/animals/anafobmp.html>
<http://www.epa.gov/owow/estuaries/ccmp/index.htm>
- Catalog of Federal Domestic Assistance
<http://aspe.os.dhhs.gov/cfda/p66458.htm>

References

- DHHS. 2000. 664.56:National Estuary Program. *Catalog of Federal Domestic Assistance*. U.S. Department of Health and Human Services. Office of the Assistant Secretary for Planning and Evaluation. <<http://aspe.os.dhhs.gov/cfda/p66456.htm>>. Accessed July 2001.
- USEPA. 1998. *Cleaning Up Polluted Runoff with the Clean Water State Revolving Fund*. U.S. Environmental Protection Agency, Office of Water. <www.epa.gov/owm/npsfact.pdf>. Accessed December 2001.
- USEPA. 1999. *The Clean Water State Revolving Fund Program*. U.S. Environmental Protection Agency, Office of Water. <<http://www.epa.gov/owmitnet/cwsrf.htm>>. Accessed December 2001.
- USEPA. 2000. Policy on Using CWSRF to Fund 320 Estuary Plan Projects. Memo from Richard Kuhlman, Chief State Revolving Fund Branch Municipal Support Division, to Municipal Program Managers, Regions 1-10. November 2000.
- USEPA. 2001a. *Agriculture Assistance: Animal Feeding Operations Best Management Practices*. <<http://es.epa.gov/oeca/ag/sectors/animals/anafobmp.html>>. Accessed July 2001.
- US EPA. 2001b. *Using the Clean Water State Revolving Fund to Reduce Animal Feeding Operation Pollution*. Environmental Protection Agency, Office of Water. www.epa.gov/owm/afosfact.pdf. Accessed December 2001.

Environmental Quality Incentives Program (EQIP)

Overview/description

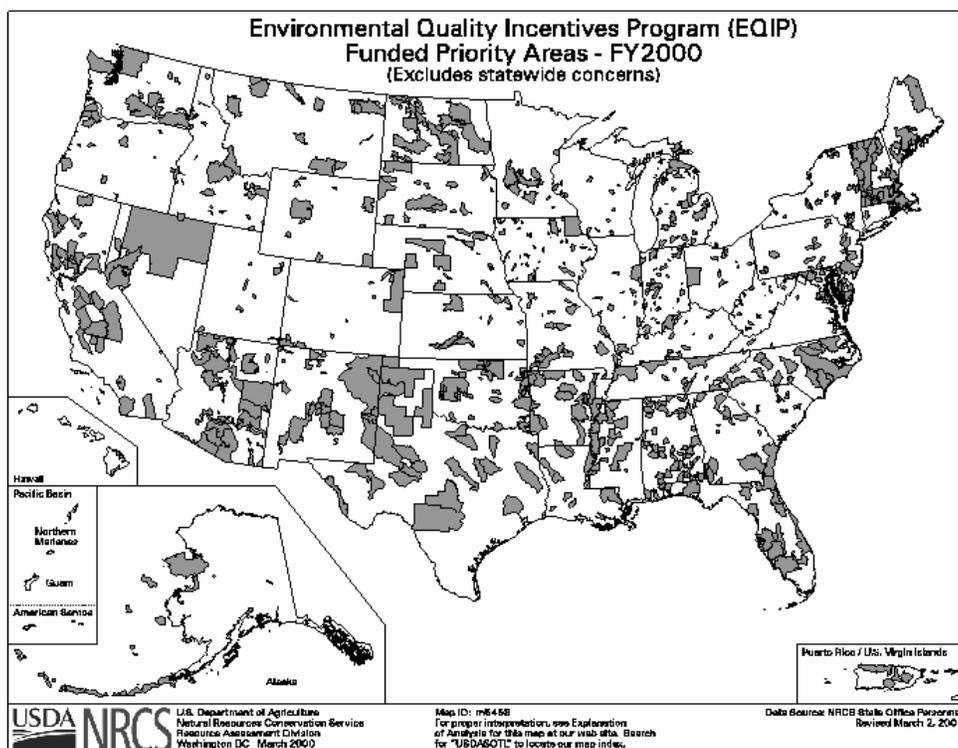
The Environmental Quality Incentives Program (EQIP) was established through the 1996 Farm Bill to assist farmers and ranchers whose facilities could adversely affect water, soil, and other natural resources (USDA, 2001b). This voluntary program assists farmers and ranchers in complying with federal, state, and tribal environmental laws by providing financial, technical, and educational support to eligible applicants on a national level.

EQIP offers 5 to 10 year contracts to farmers and ranchers for cost sharing and incentive payments to develop and implement land conservation practices. These payments are limited to \$10,000 per individual per year and \$50,000 over the course of the contract. Average contract payments are estimated to be \$15,000. EQIP's authorized budget of \$1.3 billion has been prorated at \$200 million per year through the year 2002 (DHHS, 2001). Congress is considering reauthorization of the program with increased funding and a change in contract lengths. Cost sharing up to 75 percent is available for certain conservation practices such as manure management facilities, grassed waterways, and filter strips (USDA, 2000b). After both NRCS and the participant determines that the conservation practice is in accordance with the contract, the payment is made. Payments under contracts entered into during a fiscal year are not made until the following fiscal year (DHHS, 2001).

Preference for funding is given to priority areas that have watersheds, regions, areas of special environmental sensitivity or areas that have significant soil, water, or related natural resource concerns (USDA, 2001b). (See the figure below.) Concerns could include soil erosion, water quality and quantity, wildlife habitat, wetlands, and forest and grazing lands.

Priority areas are identified through a locally led conservation process. Conservation districts organize a local work group made up of the district board members and key staff; NRCS staff; Farm Service Agency county committees and key staffs; Cooperative State Research, Education, and Extension Service; and other federal, state, and local agencies involved in natural resource conservation (USDA, 2001b). This work group identifies program priorities through a natural resource needs assessment. Other major statewide concerns occurring outside the designated priority areas may also be addressed through EQIP. Up to 35 percent of the funds can be used for other significant statewide natural resource concerns. Greater consideration is given where agricultural improvements will help meet water quality and other environmental goals. Applications are generally ranked

to achieve the greatest environmental benefits for the money. Higher ranking is given to plans designed to treat important resource concerns at a level that can be maintained year after year.



Source: USDA/NRCS (2000)

How does the program relate to AFOs and CAFOs?

Recently the program has been placing more emphasis on funding projects related to livestock operations. Fifty percent of the funding available for the program will be aimed at natural resource concerns resulting from livestock production (USDA, 2001).

Which types of facilities are eligible to receive EQIP funding?

Eligibility is limited to landlords, operators, tenants, and non-federal landowners involved in livestock or agricultural production (DHHS, 2001). Eligible land includes cropland, rangeland, pasture, forestland, and other farmland or ranchland where the program is implemented (USDA, 2001b). Although the 1996 Farm Bill states that facilities deemed large confined livestock operations (concentrated animal feeding operations or CAFOs) are ineligible for assistance for animal waste storage or treatment facilities, they might still qualify for educational, technical, and financial assistance for other conservation practices (USDA, 2001a). Limited-resource producers, small-scale producers, producers that are

minority groups, federally recognized Indian tribal governments, Alaska natives, and Pacific islanders are encouraged to apply (DHHS, 2001).

There is no application deadline (USEPA, 2001). The applicant applies at the local USDA Service Center on Form CCC-1200. Local Service Center information, including location and contact information, can be found at <http://www.sci.usda.gov/sci/> using the Service Center Locator.

Applicants must provide evidence that they have control over the land to be entered into contract, and all EQIP activities must be carried out according to a site-specific conservation plan. These plans may be developed by producers with help from NRCS or other service providers. The plan should focus on the primary natural resource concerns. All plans are subject to NRCS technical standards adapted for local conditions and are approved by the conservation district. Producers are highly encouraged to develop comprehensive nutrient management plans (USDA, 2001).

Participants make an annual status review, which includes maintenance of completed contract items and the need for deletion or addition of contract items. Participants must operate and maintain a conservation practice for its intended purpose for the life span of the practice. NRCS makes periodic random reviews of the operation and maintenance of the contract items during the life span of the conservation practice. Participants are subject to audit by the USDA's Office of the Inspector General (DHHS, 2001).

Reauthorization of EQIP

The Farm Bill (H.R. 2646) has passed in the U.S. House of Representatives and is awaiting Senate approval. The bill passed in the House would reauthorize EQIP through 2011 and change contract periods from 5 to 10 years to 1 to 10 years. Annual payment limitations would increase from \$10,000 to \$50,000, contract payment limitations would increase from \$50,000 to \$200,000, and prohibition of same-year contract payments would be lifted. Total funding through year 2011 is proposed to be \$12.84 billion (The Farm Security Act of 2001).

- FY 2002, 2003: \$1.025 billion
- FY 2004 – 2006: \$1.2 billion
- FY 2007 – 2009: \$1.4 billion
- FY 2010, 2011: \$1.5 billion

High priority for funding would be given to helping producers comply with federal and state environmental regulations (The Farm Security Act of 2001).

The bill developed by the Senate Agriculture committee differs from that in the House. The Senate bill reauthorizes the program through 2006 and changes the original contract periods of 5 to 10 years to 3 to 10 years. The annual limitation would be \$50,000, with a maximum of \$150,000 for a producer through the year 2006. A 90 percent cost-share rate for limited resource livestock operations would be included. The Senate bill would remove the 50 percent livestock water quality target. Funding through the year 2006 would total \$4.5 billion (NACD, 2002):

- FY 2002: \$300 million
- FY 2003: \$850 million
- FY 2004: \$1 billion
- FY 2005: \$1.1 billion
- FY 2006: \$1.25 billion

Sponsoring federal agency and legislative authority

U.S. Department of Agriculture
Natural Resources Conservation Service
P.O. Box 2890, Washington, DC 20013-9770
202-720-1873
<http://aspe.os.dhhs.gov/cfda/p10912.htm>

Legislative Authority: Food, Agriculture, Conservation, and Trade Act of 1996 (Farm Bill)

Additional Information

- EPA Office of Water
<http://www.epa.gov/owow/watershed/wacademy/fund/incentive.html>
- USDA Farm Bill Conservation Provisions
<http://www.nhq.nrcs.usda.gov/CCS/FB96OPA/eqipfact.html>
- Catalog of Federal Domestic Assistance, EQIP fact sheet
<http://aspe.os.dhhs.gov/cfda/p10912.htm>
- USDA 1996 Farm Bill Final Rule, *Federal Register*, May 22, 1997 (Vol. 62, No. 99)
<http://www.nhq.nrcs.usda.gov/CCS/FB96OPA/EQIPfinal.html>
- The Next Farm Bill: US House Committee on Agriculture, Bill full text and summary available; current bill status also available.
<http://agriculture.house.gov/farmbill.htm>

- Comparison of Conservation and Forestry Provisions of H.R. 2646, Farm Security Act of 2001 (Combest/Stenholm); S. 1628, Agriculture, Conservation and Rural Enhancement Act of 2001 (Harkin/Lugar); and Food Security Act of 1985, as amended (current law). <http://nacdnet.org/govtaff/FB/Combest-SenateAg.htm>

References

DHHS. 2001. 10.912: Environmental Quality Incentives Program. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. *Catalog of Federal Domestic Assistance*. <<http://aspe.os.dhhs.gov/cfda/p10912.htm>>. Accessed July 2001.

The Farm Security Act of 2001, Summary. <<http://agriculture.house.gov/2646sum.pdf>> and Full text. <<http://agriculture.house.gov/hr2646.pdf>>. Accessed January 2002.

NACD. 2002. Comparison of Conservation and Forestry Provisions of H.R. 2646, Farm Security Act of 2001(Combest/Stenholm), S. 1628, Agriculture, Conservation and Rural Enhancement Act of 2001 (Harkin/Lugar); and Food Security Act of 1985 as amended (current law). <<http://nacdnet.org/govtaff/FB/Combest-SenateAg.htm>>. Accessed January 2002.

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USEPA. 2001. *Environmental Quality Incentives Program*. U.S. Environmental Protection Agency, Office of Water. <<http://www.epa.gov/owow/watershed/wacademy/fund/incentive.html>>. Accessed July 2001.

USDA. 2001a. *Environmental Quality Incentives Program Question and Answers*. U. S. Department of Agriculture, Natural Resource Conservation Service. <<http://www.nhq.nrcs.usda.gov/CCS/FB96OPA/eqipQ&A.html>>. Accessed December 2001.

USDA. 2001b. *Environmental Quality Incentives Program Fact Sheet*. U. S. Department of Agriculture, Natural Resource Conservation Service. <<http://www.nhq.nrcs.usda.gov/CCS/FB96OPA/eqipfact.html>>. Accessed December 2001.

Farm Ownership/Operating Loans

Overview/description

For family farmers and ranchers who are unable to acquire private commercial credit, USDA's Farm Service Agency (FSA) offers farm ownership and operating loans. **Farm Operating Loans** may be used to purchase equipment, livestock, seed, fuel, and chemicals, and for other operating expenses, including paying for improvements to buildings, insurance, and costs for land and water development (Rodgers, 2001). Repayment terms vary according to the loan; however, operating loans are usually paid back within 7 years. **Farm Ownership Loans** can be used to purchase farmland, construct and repair buildings, promote soil and water conservation, or refinance debt (USDA, 2001b). Farm Ownership Loans may not exceed 40 years.

Guaranteed Loans and Direct Loans are two types of Farm Ownership/Operating Loans.

Under the **Guaranteed Loan Program**, FSA guarantees loans made by conventional agricultural lenders for up to 95 percent of the principal loan amount (USDA, 2001b). All loans must meet certain qualifying criteria. Farmers interested in guaranteed loans must apply to a conventional lender, which then coordinates the FSA guarantee. Applicants unable to receive a guaranteed loan may be eligible for a direct loan from FSA (discussed below). Guaranteed loans can range up to \$759,000. This amount is adjusted annually based on inflation (USDA, 2001b). The average Guaranteed Farm Operating Loan was approximately \$157,330 in 2000, while the average Guaranteed Farm Ownership Loan was \$250,421 (DHHS, 2001); (GSA, 2001).

Direct Loans are coordinated and maintained by FSA. FSA also provides borrowers with supervision and credit counseling for the term of the loan (USDA, 2001a). Funding for direct loans is limited, and applicants sometimes have to wait for funds to become available. To qualify for a Direct Farm Ownership Loan or Direct Operating Loan, the applicant must be able to show sufficient repayment ability and pledge enough collateral to fully secure the loan. The maximum amount for a direct loan is \$200,000 (USDA, 2001a). Loan payment terms and interest rates vary. The interest rates for direct loans are based on the federal government's cost of borrowing. The average Direct Farm Operating Loan for the year 2000 was \$47,365, and the average Direct Farm Ownership Loan was \$111,762 (USDA, 2001a,b). FSA requires borrowers to provide current financial information periodically. An annual review of the producer's operation may also be required.

A portion of the funds for Farm Ownership/Operating Loans are set aside for beginning farmers/ranchers and minority applicants. (More information is available under eligibility) To see the funding allocation for the FSA Farm Loan program, refer to the table below or go to <http://www.fsa.usda.gov/dafl/funding.htm> for more current information.

Loan Programs	Total Available	Funds Used as of 12/31/01	Unused Funds	No. of Loans Made
Direct Operating	\$621,000,000	\$89,456,000	\$531,544,000	2,240
Guaranteed Operating Loans (Unsubsidized)	\$1,548,000,000	\$122,361,000	\$1,425,639,000	815
Guaranteed Operating Loans (Interest Assistance)	\$511,000,000	\$158,579,000	\$352,421,000	763
Direct Farm Ownership Loans	\$147,000,000	\$63,113,000	\$83,887,000	526
Guaranteed Farm Ownership Loans	\$1,160,000,000	\$195,693,000	\$964,307,000	714

Source: USDA/FSA (USDA, 2001c) <<http://www.fsa.usda.gov/dafl/funding.htm>>.

How does the program relate to AFOs and CAFOs?

Farm Ownership and Operating Loans may be used by family farmers or ranchers, which may include AFOs and CAFOs, to help meet federal regulations related to soil and water conservation as long as they meet the following requirements. Certain corporations, cooperatives, partnerships, and joint operations (“entities”) operating family-sized farms are also eligible for farm loans if their members/stockholders meet the eligibility requirements and the entity is authorized to operate a farm or ranch in their specific state (USDA, 2001a).

Which types of facilities are eligible to receive funding?

To be eligible to receive Farm Ownership/Operating Loans, applicants must:

- Not have caused a loss to the FSA after April 4, 1996, or received debt forgiveness on more than three occasions before April 4, 1996.
- Have the necessary education and/or farm experience or training.
- Not exceed the limitation on the number of years that assistance may be received.

- Possess the legal capacity to incur the obligations of the loan.
- Be unable to obtain sufficient credit elsewhere.
- Project the ability to repay the loan.
- Be a citizen or permanent resident of the United States.
- Be an owner/tenant operator of a family farm after the loan is closed.
- Not be delinquent on any federal debt.
- Comply with the highly erodible land and wetland conservation provisions of Public Law 99-198, the Food Security Act of 1985 (DHHS, 2001); (GSA, 2001); (USDA, 2001a,b).

How to receive beginning farmer/rancher loans

To qualify to receive **Farm Ownership Loans** as a beginning farmer, an applicant must meet additional requirements (USDA, 2001a):

- Has operated a farm or ranch for at least 3 years, but no more than 10 years.
- Does not own a farm larger than 25 percent of the average size farm in the county.
- If the applicant is a business entity, all members are related by blood or marriage, and all stockholders in the corporation are eligible beginning farmers or ranchers.

To be eligible to receive **Farm Operating Loans** as a beginning farmer, an applicant must meet additional requirements, including the following (USDA, 2001a):

- The applicant operated a farm or ranch for no more than 10 years.
- If the applicant is a business entity, all members are related by blood or marriage, and all stockholders in the corporation are eligible beginning farmers or ranchers.

For more information on beginning farmer/rancher loans, contact your local FSA office. Contact information is provided at <http://www.fsa.usda.gov/pas/default.asp>.

What loans are available for socially disadvantaged farmers/ranchers?

Each year a portion of the Direct Loan funds are reserved for socially disadvantaged farmers and ranchers. FSA defines a socially disadvantaged applicant as “one of a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of the group without regard to their individual qualities. These groups include women, African Americans, American Indians, Alaskan Natives, Hispanics, Asians, and Pacific Islanders” (USDA, 2001a). For more information on loans to socially disadvantaged applicants, refer to <http://www.fsa.usda.gov/pas/publications/facts/sdloan01.pdf>.

Application Information

For a **Guaranteed Loan**, the applicant and lender must complete a Guaranteed Loan application kit (available from FSA) and must submit it to the local FSA office. FSA will then review the application for eligibility. If approved, the lender will be contacted and notified that the funds are available and they may continue with the loan process. The lender closes the loan and allocates the funds to the applicant. FSA then issues the guarantee on the loan (USDA, 2001b). For most loans a fee of 1 percent of the guaranteed portion of the loan is charged. In some instances this fee may be waived (USDA, 2001). Contact the local FSA office for more details.

To apply for a **Direct Loan**, the applicant contacts the local FSA county office to receive an application kit. The applicant completes the loan application with FSA’s assistance if needed. The applicant then meets with FSA to review the application. FSA determines whether the applicant is eligible and then (if eligible) approves and closes the loan. FSA then allocates the funds to the applicant. Contact information is provided at <http://www.fsa.usda.gov/pas/default.asp>. The applicant is required to pay a credit report fee. If the loan is approved, an additional fee for lien searches, filing, and recording security instruments is charged (USDA, 2001a).

Sponsoring federal agency and legislative authority

U.S. Department of Agriculture
Farm Service Agency, Public Affairs Staff
1400 Independence Ave., SW
Mail Stop 0506
Washington, DC 20250-0506
Telephone: 202-720-7807

Legislative authority: The Consolidation Farm and Rural Development Act of 1972

Additional information

- Farm Service Agency Online, Farm Loan Programs
<http://www.fsa.usda.gov/dafl/default.htm>
- CFDA, Farm Operating Loans
<http://aspe.os.dhhs.gov/cfda/P10406.htm>
- CFDA, Farm Ownership Loans
<http://www.cfda.gov/public/viewprog.asp?progid=59>
- Financial Aid to Private Landowners - Loans
http://www.extension.umn.edu/distribution/naturalresources/components/5946_12.html

References

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Rodgers. *Loan Programs Offered by the Farm Service Agency*. U.S. Department of Agriculture, Farm Service Agency. <<http://marketingoutreach.usda.gov/info.99Manual/loans/htm>>. Accessed December 2001.

USDA. 2001a. *Farm Loans, Direct Loans*. U.S. Department of Agriculture, Farm Service Agency. <www.fsa.usda.gov/dafl/directloans/htm>. Accessed December 2001.

USDA. 2001b. *Farm Loans, Guaranteed Loans*. U.S. Department of Agriculture, Farm Service Agency. <www.fsa.usda.gov/DAFL/Guaranteed.htm>. Accessed December 2001.

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Pollution Control Loan Program

Overview/description

The Pollution Control Loan Program guarantees loans to small businesses that are unable to obtain private, commercial credit yet still exhibit an ability to repay the loan. Loans are funded through the Small Business Administration (SBA) and are intended for financing the planning, design, and installation of a pollution control facility. The facility must prevent, reduce, or control some form of pollution (USEPA, 2001). During the year 2000, 38,974 loans were guaranteed for a total of \$9 billion. The average loan size was approximately \$226,521 (GSA, 2002). Agricultural businesses are encouraged to first apply for Farm Loans with the Farm Service Agency of the U.S. Department of Agriculture. However, the SBA may make loans to an agricultural business under the terms of a Memorandum of Understanding between SBA and USDA (SBA, 2001).

SBA can guarantee loans for \$100,000 or less for up to 80 percent, while loans between \$100,000 and \$1,000,000 can be guaranteed for up to 75 percent. A maximum of 25 years has been established for loan repayment of real estate and equipment loans. Loans for working capital are generally repaid in 7 years (SBA, 2000). Interest rates are negotiated between the borrower and the lender, but rates may not exceed SBA maximums (SBA, 2000). For fixed-rate loans, the maximums are as follows:

- If the loan maturity is less than 7 years, the maximum interest rate is prime plus 2.25 percent.
- If the loan maturity is more than 7 years the maximum interest rate is prime plus 2.75 percent.
- If the loan is for less than \$25,000, the maximum interest rate is prime plus 4.25 percent to 4.75 percent.
- If the loan is between \$25,000 and \$50,000, the maximum interest rate is prime plus 3.25 percent to 3.75 percent (SBA, 2000).

A fee for each approved loan guarantee is charged to the lender based on the guaranteed amount of the loan. After payment of the fee, this cost may be passed from the lender to the borrower. Fees are as follows:

- For a guaranteed portion of the loan totaling \$80,000 or less, a fee of 2 percent is charged.
- For a guarantee of \$80,000 to \$250,000, a fee of 3 percent is charged.

- For an additional guaranteed portion of the loan between \$250,000 to \$500,000, a fee of 3.5 percent is charged.
- For an additional guaranteed portion of the loan greater than \$500,000, a fee of 3.875 percent is charged (SBA, 2000).

In addition to these fees, a 0.5 percent annualized servicing fee is applied to the outstanding balance of SBA's guaranteed portion of the loan (SBA, 2000).

How does the program relate to AFOs and CAFOs?

Both animal feeding operations (AFOs) and concentrated animal feeding operations (CAFOs) are eligible for loan guarantees assuming they meet all requirements listed below.

Which types of facilities are eligible to receive Pollution Control Loans?

To be eligible, applicants must:

- Operate a business for profit.
- Be engaged in, or propose to do business in the United States.
- Have reasonable owner equity to invest.
- Use alternative financial resources first, including personal assets.
- Be an eligible small business, as defined by The Small Business Act. An eligible small business is one that is independently owned and operated and not dominant in its field of operation.
- Meet the Small Business Size Standards. A list of these standards can be found at <http://www.sba.gov/size/Table-of-Small-Business-Size-Standards-from-final-rule.html> (SBA, 2000).

If affiliations exist with other companies, such as common ownership or contractual arrangements, the primary business activity must be determined both for the applicant business and for the entire affiliated group.

Holders of at least 20 percent ownership are required to guarantee the loan.

For additional information regarding eligibility, contact your local SBA office at www.sba.gov/regions/states.html or call 1-800-8ASK-SBA.

Applications should be sent to the local SBA office of the business requesting the loan. Local SBA office information is provided at www.sba.gov/regions/states.html. Enrollment is continuous with no deadline. Audits are done on a case-by-case basis. Periodic financial statements may be required.

Sponsoring federal agency and legislative authority

Small Business Administration
409 3rd Street, SW
Washington DC 20416
1-800-827-5722
<http://www.sba.gov>

Legislative authority: Small Business Act, section 7(a)(12)

Additional information

- SBA homepage
<http://www.sba.gov>
- SBA Small Business Size Standards
<http://www.sba.gov/regulations/siccodes/>
- Pollution Control Loan fact sheet, EPA
<http://www.epa.gov/owow/watershed/wacademy/fund/loans.html>
- CFDA, Small Business Loans
<http://www.cfda.gov/public/viewprog.asp?progid=763>

References

BusinessTown.com. 2001. *Finance: The 7(a) Program*. <<http://www.businesstown.com/finance/sba-article2.asp>>. Accessed January 2002.

GSA. *Small Business Loans (Regular Business Loans_7(a) Loans)*. General Service Administration, Office of Governmentwide Policy, Office of Acquisition Policy, Governmentwide Information Systems Division, Federal Domestic Assistance Catalog Staff. <<http://www.cfda.gov/public/viewprog.asp?progid=763>>. Accessed January 2002.

USEPA. 2001. *Pollution Control Loans*. U.S. Environmental Protection Agency, Office of Water, Catalog of Federal Funding Sources for Watershed Protection. <<http://www.epa/owow/watershed/wacademy/fund/loans.html>>. Accessed January 2002.

SBA. 2000. *Pollution Control Loan Program*. Financing Your Business. U.S. Small Business Administration <<http://www.sba.gov/financing/frpollute.html>>. Accessed January 2002.

SBA. 2001. *Business credit and assistance*. Small Business Administration. *Fed. Regist.*, Jan. 1, 2001, 13:120.103. <<http://www.sba.gov/library/cfrs/13cfr120.html>>. Accessed January 2002.

Section 319 Nonpoint Source Implementation Grants

Overview/description

Grants awarded under section 319 of the Clean Water Act (CWA) provide funding to states and tribes for implementing nonpoint source projects and programs. Such programs include technical assistance, financial assistance, education, and training (USEPA, 2001a). A non-federal match of at least 40 percent of the project cost is required. However, tribes that demonstrate financial hardship may reduce this non-federal match to as low as 10 percent (USEPA, 1999). EPA awards each grant to the appropriate state agency, which distributes the funds to other organizations in accordance with its funding plan. The funding plan must be approved by EPA. Nonpoint source implementation projects funded include installation of best management practices for animal waste and sediment (USEPA, 2001a).

Each year EPA awards section 319 funds to states, tribes, and territories according to a state-by-state allocation formula (DHHS, 2001). In fiscal year 2000 U.S. EPA distributed nearly \$200 million to help states, tribes, and territories implement their nonpoint source management programs under section 319 of the CWA. For fiscal year 2001 Congress appropriated \$237.5 million in section 319 funding (DHHS, 2001). Funding ranged from \$625,400 to \$12.37 million for states and \$30,000 to \$100,000 for Indian tribes (DHHS, 2001).

How does the program relate to AFOs and CAFOs?

As a nonpoint source, animal feeding operations (AFOs) are eligible for section 319 funding for implementation of nonpoint source management programs if covered under the state's proposed funding plan submitted to U.S. EPA for approval (DHHS, 2001). Because concentrated animal feeding operations (CAFOs) are defined as a point source of pollution, they are not included under section 319 for grant allocation. However, if located in an estuary, a CAFO may qualify to receive funding under CWA section 320 (USEPA, 1999).

Which types of facilities are eligible to receive section 319 funding?

All entities that wish to develop management programs for nonpoint sources covered under the states Nonpoint Source Management Plan are encouraged to apply. (Depending on the individual state's plan, AFOs might be included). CAFOs, by definition are point sources, are not eligible to receive section 319 funds.

Preapplication coordination with the appropriate EPA regional office is recommended. An applicant should consult the office or official designated as the single point of contact in the state for more information on the process the state requires for applying for assistance (DHHS, 2001). Grant applications must be submitted to the appropriate EPA regional office. EPA regional office contact information is provided at www.epa.gov/epahome/locate2.htm (USEPA, 2001c). For state-specific application information, contact your state non point source agency. A list of state non point source Coordinators can be found at www.epa.gov/owow/nps/319hfunds.html (USEPA, 2001b).

Annual expenditure reports and semi-annual progress reports are required. If the funding exceeds \$500,000, an audit may be conducted. Financial records related to the program must be kept available to authorized personnel for 3 years from submission of the annual financial status report (DHHS, 2001).

Sponsoring federal agency and legislative authority

U.S. Environmental Protection Agency
Office of Wetlands, Oceans and Watersheds
Nonpoint Source Control Branch (4503F)
Ariel Rios Bldg, 1200 Pennsylvania Ave., NW
Washington, DC 20460
202-260-7100
<http://www.epa.gov/owow/nps/>

Legislative authority: Clean Water Act section 319

Additional Information

- Federal Water Pollution Control Act of 1948 (Clean Water Act)
<http://www.usbr.gov/laws/cleanwat.html>
- Catalog of Federal Domestic Assistance
<http://aspe.os.dhhs.gov/cfda/p66460.htm>
- USEPA, Nonpoint Source Program
<http://www.epa.gov/region4/water/nps/grants/index.htm>
- USEPA, Process for Applying for 319(h) Funds
<http://www.epa.gov/owow/nps/319hfunds.html>

References

- DHHS. 2001. 664.60: Nonpoint Source Implementation Grants. *Catalog of Federal Domestic Assistance*. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. <<http://aspe.os.dhhs.gov/cfda/p66460.htm>>. Accessed November 2001.
- USEPA. 1999. Guidance on Awarding Section 319 Grants to Indian Tribes in FY 2000. Memorandum: from Robert H. Wayland III, Director, Office of Wetlands, Oceans and Watersheds, to EPA Regional Water Division Directors, Regional Tribal Coordinators/Program Managers, Tribal Caucus, EPA Tribal Operations Committee. Environmental Protection Agency, Office of Water. <<http://www.epa.gov/owow/nps/tribes20.html>>. Accessed January 2002.
- USEPA. 2001a. *Nonpoint Source Program*. U.S. Environmental Protection Agency, Region 4. <<http://www.epa.gov/region4/water/nps/grants/index.htm>>. Accessed December 2001.
- USEPA. 2001b. *Process for Applying for 319(h) Funds*. U.S. Environmental Protection Agency, Office of Water. <<http://epa.gov/owow/nps/319hfunds.html>>. Accessed December 2001.
- USEPA. 2001c. *About EPA*. U.S. Environmental Protection Agency, Office of Water. <<http://www.epa.gov/epahome/locate2.htm>>. Accessed December 2001.
- USEPA. 2001d. *Supplemental Guidelines for the Award of Section 319 Nonpoint Source Grants in FY 2001*. U.S. Environmental Protection Agency, Office of Water. <<http://www.epa.gov/owow/nps/Section319/fy2001.html>>. Accessed July 2001.

Additional Funding

This section offers information regarding additional financial assistance for animal feeding operations (AFOs) and concentrated animal feeding operations (CAFOs). Included are programs that might help supplement the cost of taking environmentally sensitive lands out of agricultural production and possible funding programs not usually directed toward agricultural waste management. The programs discussed are the following:

- Conservation Reserve Program
- Conservation Reserve Enhancement Program
- National Estuary Program
- Soil and Water Conservation Assistance
- Wetlands Reserve Program

Conservation Reserve Program

The Conservation Reserve Program (CRP), authorized by the Food Security Act of 1985, is a voluntary program that offers annual rental payments, maintenance payments, incentive payments, and cost-share assistance in order to convert eligible highly erodible and environmentally sensitive land used for the production of agricultural goods into resource-conserving buffers. The objectives of CRP, as defined in the Code of Federal Regulations, are to:

- Reduce water and wind erosion.
- Protect the nation's long-term capability to produce food and fiber.
- Reduce sedimentation.
- Improve water quality.
- Create and enhance wildlife habitat.

- Encourage more permanent conservation practices and tree planting (Title 40 Code of Federal Regulations, section 1410.3).

To accomplish these goals, the Farm Service Agency arranges 10 to 15 year contracts with owners, operators, or tenants of eligible land for them to initiate and maintain a site-specific conservation plan such as the use of a riparian buffer along waterways. Assistance of up to 50 percent of the applicant's costs for initiating the conservation practices is available. In addition, an incentive payment to participants "who restore the hydrology of eligible wetlands" of up to 25 percent of the restoration costs may also be made (40 CFR 1410.41). Applicants may submit bids for the amounts they are willing to accept as rental payments under the CRP. Offers then go through a competitive application process to maximize the environmental benefits with the available funds. In the year 2000 the average rental rate per acre was \$49.20 (DHHS, 2000). Annual payments cannot surpass \$50,000 per applicant per fiscal year. Funding for the program is available for up to 36.4 million acres at any one time through 2002. Congress is working to extend CRP beyond this date.

The program is valuable to AFOs and CAFOs because it offers an alternative use for land that otherwise might be unproductive because of environmental concerns, such as nutrient runoff into nearby waterways, and agricultural regulations.

Eligible applicants must have owned or operated the land for at least 12 months prior to the close of the sign-up period. Two methods for CRP sign-up are available. FSA offers a continuous sign-up process for land suitable for particular environmental uses, including grass waterways, filter strips, and riparian buffers. Other environmentally sensitive land may be signed up during an announced sign-up period for a competitive application process. These applications are ranked according to an environmental benefits index (DHHS, 2000). Successful offers address soil erosion, water quality, wildlife benefits, soil productivity, conservation priority area designations, conservation compliance considerations, use of land after the contract expires, air quality, and cost (40 CFR, 1410.31). For more information on CRP, eligibility, and the application process contact your local FSA office. FSA contact information can be found at http://oip.usda.gov/scripts/ndisapi.dll/oip_agency/index?state=us&agency=fsa.

Conservation Reserve Enhancement Program

The Conservation Reserve Enhancement Program (CREP) is part of CRP, and therefore all applicants must be consistent with CRP regulations to be eligible for CREP funding. CREP works much like CRP in that annual rental payments, maintenance payments, incentive payments, and cost-share are available for converting active agricultural producing land into conservation buffers. CREP differs from CRP because it is a joint effort by the federal government, states, and other stakeholders to address high-priority

environmental concerns in specific geographic regions (USDA, 2000). For state-specific information about CREP, visit <http://www.fsa.usda.gov/dafp/cepd/crep/crepstates.htm>. For application information consult your local FSA office (http://oip.usda.gov/scripts/ndisapi.dll/oip_agency/index?state=us&agency=fsa).

National Estuary Program (NEP)

Authorized by section 320 of the 1987 Water Quality Act, the National Estuary Program (NEP) provides funds to identify, restore, and protect nationally significant estuaries. In fiscal year 2001, \$13.8 million was provided by Congress for funding. Congress has authorized \$35 million each fiscal year until 2005 for NEP (Bearden, 2001). The program allows EPA to issue grants covering up to 75 percent of the cost of developing an estuary's management plan and up to 50 percent of the cost for implementation projects. A non-federal match is required to cover the remaining percentage of the costs. If a state's section 320 estuary plan covers CAFO-related water pollution, CAFOs within the boundaries of that estuary might be eligible for funding for best management practices under NEP (USEPA, 2000). Contact information for the appropriate NEP is provided at www.epa.gov/nep/sheds.htm (USEPA, 2002).

Soil and Water Conservation

This NRCS-sponsored program, offers technical assistance to landowners, land users, community organizations, and state and local governments in planning and applying natural resource conservation practices. For application information contact the local NRCS office (http://offices.usda.gov/scripts/ndISAPI.dll/oip_public/USA_map).

Wetlands Reserve Program (WRP)

The Wetlands Reserve Program (WRP), sponsored by the Natural Resource Conservation Service (NRCS) offers landowners payments in the form of easements or cost-share for restoring and protecting wetlands. The landowner agrees to limit the use of the land in the future while still maintaining ownership of the land. This program offers three options: permanent easements, 30-year easements, and a cost-share agreement. Much like CRP, WRP offers an alternative for land that is otherwise unproductive because of environmental concerns and regulations. Eligible land must be restorable and suitable for wildlife benefits. Land converted to wetlands after December 23, 1985, land with timber stands funded by CRP, and federal land are not eligible. Applicants must have owned the land for at least 1 year. An eligible owner may be an individual, partnership, association, corporation, estate, trust, business, or other legal entity (USEPA, 2001). Application acceptance is continuous. Contact the local USDA Service Center or conservation district office for more information. A list of local USDA Service Centers is provided at www.sci.usda.gov/sci/.

References

- DHHS. 2000. 10.069: Conservation Reserve Program. In *Catalog of Federal Domestic Assistance*. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. <<http://aspe.os.dhhs.gov/cfda/p10069.htm>>. Accessed January 2002.
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Local Government Sources of Funding

Soil and Water Conservation District (SWCD)

Soil and Water Conservation Districts (SWCD) are local units of government nationwide that address soil erosion and water pollution. In many cases SWCD offers technical, planning, and financial assistance to local agriculture producers. To contact your local SWCD office refer to the phone book under county government listings or go to <http://www.nacdnet.org/resources/cdsonweb.html>.

Resource Conservation and Development (RC&D)

Resource Conservation and Development Councils (RC&D) are local organizations promoted by NRCS to improve local conservation efforts and aid economic activity. Depending on the local RC&D objectives, technical and financial assistance might be available. To contact your local RC&D council refer to http://www.rcdnet.org/Coor_bh.htm.